



Banking and Credit Union Liaison Training Session

**Presented by:
Service Banking Officers
SEP 2010**

Agenda

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DoD and Services Banking and Credit Union Liaison Officers

Army

Banking/Credit Union Liaison Officer

(703) 693-2698

Air Force

Banking/Credit Union Liaison Officer

(301) 981-7785

Banking/Credit Union Liaison Manager

(937) 522-2184

Navy

Banking/Credit Union Liaison Officer

(202) 685-0427

Banking/Credit Union Liaison Asst

(202) 685-0420

Marines

Banking/Credit Union Liaison Officer

(703) 697-5028

DoD FI Overview

Office of the
Under Secretary of
Defense (Comptroller)
(OUSD(C))
(Provide policy
guidance)



DoD Banking and Credit Union Office
(Oversight, control, and management)



Military Service
BLOs/CULOs

Installation
BLOs/CULOs

Installation FIs



Overseas Credit
Unions

History of DoD Banks and Credit Unions

- Banks

- Country began mobilizing in 1941
- Disbursing officers needed cash for payrolls
- First stateside military banking facility commenced in 1942 at Ft. Sill, Oklahoma
- Overseas military banking facilities commenced in 1947



- Credit Unions

- The first state credit union act passed in 1909
 - Owned and controlled by its members; not shareholders
 - Serve groups that have a common bond (field of membership)
 - Credit unions are not for profit
- Serving and supporting DoD since 1928



History of Overseas Banking and Credit Union Programs

- Transferred to DFAS from OUSD(C): DoD Reform Initiative Directive 7
 - January 1, 1998 – Overseas Military Banking Program (OMBP)
 - OUSD(C) transferred responsibility for the oversight, control, and management of the day-to-day operations to DFAS.
 - July 13, 1998 – Domestic Bank and Credit Union Programs
 - OUSD(C) transferred responsibility for the programs and procedures governing banks and credit unions on DoD installations.
 - OUSD(C) retained policy oversight for DoD Instruction (DoDI) 1000.11.

Banking Liaison Officer (BLO) Resources

- Banking Liaison Officer Policy, Procedures, and Desk Guide
 - DODI 1000.11 – Financial Institutions on DoD Installations
 - DoDFMR, Volume 5, Chapter 34 – Financial Institutions on DoD Installations (governs rules and procedures for FIs located on military installations worldwide (including contingency areas of operation)
 - http://www.defenselink.mil/comptroller/fmr/05/05_34.pdf
 - Commander and Installation Bank and Credit Union Liaison Officer Desk Guide
 - <http://www.dfas.mil/more/referencelibrary.html>
 - DoDI 1344.07 – Personal Commercial Solicitation on DoD Installations
 - DoDI 1342.27 – Personal Financial Management for Service Members

Examples and/or Questions

Question: What information does the BLO Guide provide that the DoDFMR , Volume 5, Chapter 34, or DoDI 1000.11 doesn't?

Answer:

- Morale, Welfare, and Recreation event sponsorship challenges
- Sample banking/credit union liaison officer appointment
- Information on IKC
- Information to establish or change a TGA
- Various policy memorandums from OUSD(C)
- DoD designated foreign geographic franchise assignment listing
- Information about the OMBP contract

Installation Roles and Responsibilities

BLO/CULO

- Vital link between the commander and the FI, and assists in resolving complaints
- Monitors on-base financial services
- Keeps FIs informed of pending developments impacting services; e.g., deployments
- Ensures lease and operating agreements are current
- Works with personal financial managers to educate them on the financial educational resources provided by the on-base FIs

Installation Commander

- Assign BLO/CULO
- Ensure suitable financial services
- One bank/credit union per installation... must seek financial services from only on-base FIs
- Provide office space and logistical support in accordance with (IAW) regulations
- Invite FIs to participate in newcomer briefings and financial education seminars

FI Manager

- Comply with applicable laws, regulations, policies, and procedures
- Maintain liaison with installation commander, base leadership and BLO/CULO

Domestic Bank/Credit Union Establishment

Establishment

- **When requesting banking services, installation commanders will request IAW regulation.**
 - **DoDFMR, Volume 5, Chapter 34**
 - paragraphs 340502 and 340702
 - **DoDI 1000.11**
- **Services will review, solicit for, and approve banking needs as necessary.**
- **Requests for the establishment shall include all information listed in paragraph 340502A:**
 - **Number of DoD personnel who are eligible to use the FI services**
 - **Distance and transportation to FIs in the vicinity**
 - **Number of DoD personnel confined to the installation**
 - **Name and location of the TGA depository**
 - **List of organization and nonappropriated fund accounts**
 - **Description and photographs of proposed space**
 - **Listing of any necessary requirements for the office**
 - **Reason for use of space controlled by the General Services**

Examples and/or Questions

Situation: The command determined the need to establish a bank or credit union on a DoD Installation.

Resolution:

- The Installation Commanding Officer (ICO) notified the Deputy Assistant Secretary (DAS) through the BLO/CULO.
- The ICO confirmed a need for financial services on the installation. The ICO endorsed and forwarded a request for financial services to be provided by an outside FI to the DAS.
- DAS reviewed the request and granted permission to solicit.

Domestic Bank/Credit Union Solicitations

Solicitations

- Solicitation performed IAW with DoDFMR, Volume 5, Chapter 34, paragraph 340503
- Scope dependent on service (designee) or installation commander
 - Solicitation letters sent to local banking institutions and published in the local newspapers
 - If necessary, solicitations can be expanded to a larger geographic area and published in the Commerce Business Daily and trade journals
- Military departments work closely with the Association of Military Banks of

Domestic Bank/Credit Union Solicitations (cont)

FI Solicitation Requirements Packet

- The command or agency requesting financial services needs to clearly articulate their requirements.
- The requirements packet should go out with the solicitation letter so the responding FIs know what their proposals need to contain.
 - Number of ATMs (locations or map)
 - Branch size, location, hours of operation (include building schematic)
 - List of products and services available
 - Request for a fee schedule for products and services

Examples and/or Questions

Situation: Established a credit union aboard a DoD installation following departure of current on-base credit union

Question: What is the normal protocol for conducting a solicitation?

Resolution:

- Solicitation announcement was released by the installation
- Upon completion of the solicitation, ICO drafted an endorsement of recommendation and forwarded it to the DAS for approval.
- DAS reviewed and provided concurrence. Upon concurrence, installation and FI were required to enter into an operating agreement before operations could commence.

ATM Solicitation

- On-base FIs have right to first refusal.
- Solicitation process required if on-base FIs decline to perform service or if there are no FIs on the installation.
- Exception to policy required by service secretary to conduct solicitation for ATM service when FIs are on installation.
- Commander conducts solicitation and forwards recommendation to the service secretary for final approval.

Examples and/or Questions

Situation: Base wanted to bring ATMs on base to support a special event

- Base had a temporary ATM requirement to have portable ATMs at an event
- Base BLO contacted on-base FIs with requirement

Outcome:

- FIs declined to provide ATM service but were not opposed to an off-base FI providing the service.
- Base requested a temporary waiver to the one bank/one credit union rule to solicit an off-base FI to provide ATMs at the event.
- Temporary approval was granted for the event only. Any future use of off-base FIs requires a separate approval.

Operating Agreement

- **An operating agreement is a document that defines the relationship between the FI and installation.**
- **FIs must have a current operating agreement prior to commencing operations.**
- **An operating agreement is negotiated between the installation commander and the FI and reviewed every 5 years.**
- **BLO/CULO reviews the schedule of service charges and fees annually, and renegotiates the financial services offered and related service charges and fees as necessary.**
- **A copy of the operating agreement should be sent to your respective military department BLO/CULO.**
- **An operating agreement should include the hours of operation, agreement to comply with DoD policies and procedures, security requirements for each**

Examples and/or Questions

Situation: The FI on base wants to make a change to the operating agreement service fees.

Question: What is the process if the FI or ICO on base wants to change service fees or financial services offered?

Resolution:

- A review of the schedule of service charges and fees should occur annually or be renegotiated as necessary. Renegotiation can also address services offered.
- The FI must go through the BLO/CULO and ICO for this process.
- Any changes made to the services and fees must be added to the operating agreement.

Leases

Leases allow the FI to provide service on the installation

- On-base FI must enter a lease prior to commencing operations.
- Terms shall not exceed 5 years except where the FI uses its own funds to improve existing government facilities (up to 25 years for construction).
- Consideration for lease will be based upon fair market value (FMV) exclusive of any improvements made.
- Credit unions shall be offered no cost leases in government facilities if they meet the 95 percent criterion.
- Government has right to terminate lease.
- Lease can be paid by cash or in-kind.

IKC

- The purpose of IKC is to decrease the FI's lease cost, which is based on a FMV appraisal, by giving credit to military FIs for benefits provided to the services as allowed by Public Law 106-398.
- Military departments meet with the U.S. Army Corps of Engineers (USACE) and Naval Facilities Engineering Command to develop standards for IKC.
- FIs must demonstrate a savings to the military personnel/government based on sound detailed data comparing local off-base FI's costs to their own. Examples of items to compare include: deposit and loan services, checking and bill pay services, and ATM transactions. Donations can also count as a benefit.
- The ultimate decision for what will be allowed as IKC is up to the USACE

Examples and/or Questions

Situation: IKC negotiation process

- Base BLO/CULO should work with the on-base FI and installation support to ensure this process is completed timely, accurately, and fairly.

Questions:

- What does the FI do to start the process?
- Who assesses value to the services provided and adjusts the lease cost?
- Are all services provided grounds for IKC?

Resolutions:

- The FI submits a list of services provided and the savings to the installation.
- The USACE and G8 determine what discount value, as a percentage of the total lease, is assigned.
- Some services the FI lists and assigns a value may not be deemed

Terminations

- Command requests for termination of FI shall be approved by the ICO, substantiated by sufficient evidence and forwarded to the DAS.
- Terminations may result under one of the following conditions:
 - Mission of installation has changed
 - Active military operations prevent continuation of on-base FI
 - FI performance not satisfactory or inconsistent with OA
 - Merger, acquisition, change of control, or other action results in violation of terms and conditions of existing OA
- FI voluntarily terminates
 - FI should notify the ICO at least 180 days before the closing date.

Examples and/or Questions

Situation: The ICO requested the FI to adjust its hours of operation and when the FI could not meet this requirement, the ICO requested termination of their operations on base.

Questions:

- Was this a valid issue for a termination?
- What should have happened to try and resolve this issue?
- What recourse did the FI have prior to departing the base?

Resolutions:

- The fact that the FI could not fulfill the service request is not in itself sufficient grounds for termination. The request for extended hours was not a part of the original OA; the FI only has a requirement to fulfill the provisions of the OA.
- The ICO and the FI manager should have negotiated a reasonable course of action to provide some or all of the requested services.
- The FI could have appealed the ICO's termination decision to the DAS

Financial Education

- On-base FIs provide no cost financial education, training, and counseling.
- Preference to conduct personal financial instruction should be extended to on-base FIs.
- Nongovernment, noncommercial, and nonprofit organizations may be used for financial education.
 - Must be approved by a presidentially appointed, Senate-confirmed DoD official of the department requesting the service
- Materials must be approved by commander and include disclaimer
- DoD Financial Readiness
 - Goal is to improve financial readiness

Examples and/or Questions

Situation: An off-base organization wanted to provide financial education training on base

Questions:

- Can off-base organizations provide financial education on base?
- Are any organizations providing financial education allowed to promote their specific products and services during training?

Resolutions:

- Yes, if approved by a presidentially appointed, Senate-confirmed DoD official.
- No, organizations providing financial education are not allowed to promote their specific products and services.

Examples and/or Questions

Situation: The Family, Morale, Welfare Recreation Command/Army

Community Service personal financial manager (PFM) did not allow or want the FI to provide financial education or training.

Questions:

- **Is the on-base FI a third party?**
- **What kind of relationship should the BLO/CULO and on-base FIs have with the PFMs?**
- **Can the on-base FIs provide education when requested from any organization on-base?**
- **Resolutions:**
 - **No, DoD encourages the on-base FIs to provide financial education and counseling services as an integral part of their financial service offerings.**

TGA

- Banks or Credit Unions which have been designated specifically and authorized by the Department of the Treasury to maintain a demand account in the name of the Department of the Treasury for the purpose of accepting deposits to the TGA from disbursing officers.
- These depositories are designated only at locations where they are needed to receive deposits of public funds for credit to the TGA.
- An agency profile sheet is submitted to the DoD Banking and Credit Union Office to formally request authorization to deposit funds with a TGA or to change from one authorized depository to another. Once the DoD Banking and Credit Union Office concurs with request, the document is forwarded to the Federal Reserve Bank, St. Louis, for approval.

Examples and/or Questions

Situation: The FI on base wanted to stop providing TGA service and notified the Treasury and base they would be closing their TGA.

Question: What issues were involved?

Resolution:

- The TGA was a requirement in the operating agreement.
- The base had to decide to use an off-base TGA or terminate the operating agreement with the current FI and solicit for a new FI to come on base that would have a TGA.
- Using an off-base TGA would have caused additional time and security costs to the base organizations.
- The FI reconsidered their decision and continued to operate the TGA.

Morale, Welfare and Recreation

Sponsorship

- Sponsorship must be consistent with other DoD and military department policies (DoDI 1344.07, Personal Commercial Solicitation on DoD Installations).
- Sometimes a challenge... misunderstanding and unfamiliarity with regulatory guidance
- Cannot be used to gain access to collect information for solicitation through raffles, drawings or surveys. Personnel attending the event must provide written consent to be solicited beyond the event
- Sponsorships are allowed; however, the company/agency cannot advertise or distribute literature that promotes competitive financial services/products offered by the on-base FI.

Examples and/or Questions

Situation: Competitive material was distributed by off-base FI sponsoring MWR events.

- Base BLO requested guidance on what information could be distributed by off-base FI sponsoring events

Questions:

- Is the 2002 OUSD(C) memorandum on sponsorship still valid?
- What prevents off-base FIs from distributing competitive information?
- Why are on-base FIs granted exclusivity?

Resolutions:

- Yes, off-base FIs cannot distribute competitive literature for services provided by the on-base FIs.
- DoDFMR, Volume 5, Chapter 34, paragraph 340404E, DoDI 1344.07, and 2002 OUSD (C) memorandum
- Selected through a solicitation process as the best FI desiring to be on-base; they're committed to servicing military members, DoD civilians and dependants, and willing to go through the extra hurdles to be DoD compliant.

Examples and/or Questions

Situation: Financial materials distributed by MWR sponsor at on-base event

- Base BLO/CULO should work with the on-base FI before all events where outside FI sponsorship is planned.

Questions:

- Who reviews the DoDI 1344.07 to ensure products presented do not compete with the on-base FI?
- Who do I coordinate with to correct these issues?

Resolutions:

- BLO reviewed materials to ensure compliance
- Discussed the event with the FIs on base to ensure they did not have any issues with the materials being presented
- Requested to review the MWR sponsorship agreement to ensure limitations and exclusions were explained to the FI or vendor

Examples and/or Questions

Situation: Mobile ATM needed for MWR event; MWR contracted service with off-base FI

- **Base BLO/CULO should clearly review the installation request for services**

Questions:

- **How much time does the FI have to respond to a request for service?**
- **If initially they can not support the request, is my job complete?**
- **When do I get the service BLO/CULO involved?**

Resolutions:

- **The on-base FIs have 30 days to respond to a request for service.**
 - **Base FI Identified they were not given sufficient time to respond to the request**
- **No, you must ensure proper time was allocated and if it was then you would consolidate and submit a package to the DAS requesting an exception to policy.**
- **Service BLO/CULOs will assist with processing the exception to policy request as well as the solicitation process.**

Examples and/or Questions

Situation: Outside ATM provider contacted the base requesting to provide ATM service to the on-base lodging facilities

Questions:

- Does an on-base privatized hotel and billeting have to adhere to the same rules?
- Are the on-base FIs the only financial entities that can provide the services?

Resolutions:

- Yes, on-base privatized hotel and billeting have to adhere to the same rules.
- No, however, the on-base FIs are provided first right of refusal and if they decline or are unable to provide the service, an exception to policy is requested before a solicitation for a third party financial or nonfinancial agency can be initiated.
- This situation was remedied which prevented a violation.

Consumer Banking Issues

- The installation BLO/CULO are the eyes and ears for the service BLO/CULO in identifying adverse consumer banking issues affecting their local military community.
- The on-base ACS Financial Readiness program managers or financial counselors are a good source of reported issues or needs.
- The installation BLO/CULO maintain contact with the banking office manager to discuss improvements in services provided but do not become involved in the internal operations of the FI.
- The service banking officer and DAS shall monitor practices and procedures of respective banking offices and credit unions to ensure the welfare and interests of DoD personnel as consumers are protected.

Examples and/or Questions

Situation: DoD was asked to respond to a report of overdraft charges, auto loans, and predatory lending practices affecting military personnel.

Question:

- What role did we play when dealing with the consumer banking issues?

Resolution:

- Studies were done by all agencies (DoD, OSD, DFAS, AMBA, DCUC) to determine the true scope of the problems.
- The BLO/CULO's were briefed on the situation and asked to be vigilant and report any issues or concerns brought to their attention.
- The associations were asked to provide data and feedback to the allegations.
- Regulations and legislative actions were sought as a means of resolution to prevent DoD from having to take any action.

BRAC ROEs

- ROEs for FIs on DoD BRAC installations.
- There are three categories of BRAC situations:
 - Agency/Organization Movement - This is when a government agency or entity moves to a DoD installation with existing FIs, the agency has to utilize the existing FI for financial services.
 - Combinations (joint basing/realignment, etc.) - This is where the dividing line between bases is removed and one base absorbs the space of another base. All FIs continue to operate in their respective geographic location.
 - Base Closure - When a base completely closes down due to BRAC, the FI will have to shut down operations.
- In all situations the only alternative to the stated resolution is an approved exception to policy waiver to the one bank one credit union rule by the DAS.

Examples and/or Questions

Situation: A DoD agency directly supported by a FI moves on to a DoD installation with existing FIs

Questions:

- Can the agency decide to bring their FI on the base?
- If the location for the agency is geographically separate from the installation is that a factor?
- Can the agency choose the FI if there is a bank on the base?

Resolutions:

- The credit union or agency had to go through the BLO/CULO and ICO to request an exception to policy from the DAS.
- The DAS and OSD denied the request due to the one bank one credit union rule.
- All approved FIs on base were given the right to submit a proposal to provide the financial services and the DAS ensured their financial needs could be met.

Examples and/or Questions

Situation: A base realigned to include an adjacent base and all existing FIs were grandfathered.

Questions:

- Which FI continues to provide the on-base financial products and services ?
- What happens to the BLOs on the bases?

Resolutions:

- No FI will be terminated; all will remain serving their original group, customers, and geographic area.
- Requests for services come from the base commander. The first right of refusal or FIs that are solicited will be in the geographic area of the services needed.
- The main commander of the new base will maintain the liaison officer function; only one BLO/CULO will be necessary.



Questions ?